

THE ROLE OF BIODIVERSITY DISCLOSURE IN SUSTAINABILITY REPORT ON FIRM VALUE



UNDERGRADUATED THESIS

Submitted as Partial Requirement to Complete Undergraduate Degree
Faculty of Economics and Business
Diponegoro University

Submitted by :

SHINDY SRI DESWITA
NIM. 12030114120028

FACULTY OF ECONOMICS AND BUSINESS
DIPONEGORO UNIVERSITY
SEMARANG
2018

THESIS APPROVAL

Author Name : Shindy Sri Deswita
Student Number : 12030114120028
Faculty/ Department : Economics and Business/ Accounting
Thesis Title : **THE ROLE OF BIODIVERSITY DISCLOSURE IN
SUSTAINABILITY REPORT ON FIRM VALUE**
Thesis Supervisor : Puji Harto, S.E., M.Si., Akt., Ph.D

Semarang, May 17th, 2018

Supervisor,



(Puji Harto, S.E., M.Si., Akt., Ph.D)

NIP. 197505272000121001

SUBMISSION

Author Name : Shindy Sri Deswita
Student Number : 12030114120028
Faculty/ Department : Economics and Business/ Accounting
Thesis Title : **THE ROLE OF BIODIVERSITY DISCLOSURE IN
SUSTAINABILITY REPORT ON FIRM VALUE**

Has been presented and defended in front of the Boards of Reviewers on May 25th2018 for fulfilling the requirement to be accepted.

The Reviewers Board:

1. Puji Harto, S.E., M.Si., Akt., Ph.D
2. Agung Juliarto, SE., M.Si., Akt, Ph.D
3. Dr. Warsito Kawedar, S.E., M.Si., Akt





Declaration of Originality

I, Shindy Sri Deswita, hereby declare that this thesis is real and accurate to be my own work, especially written for partial requirement to complete Undergraduate Program of Accounting, and has not been presented in any other occasion before. I bear full responsibility for my undergraduate thesis.

Semarang, May 17th, 2018

Shindy Sri Deswita

NIM. 12030114120028

MOTTO AND DEDICATION

“For indeed, with hardship will be ease. Indeed, with hardship will be ease.”

(Q.S Al—insyiraah :5-6)

Jika hidup hanya sekedar hidup, kera di rimba juga hidup

Kalau bekerja hanya sekedar bekerja, Kerbau disawah juga bekerja

(Buya Hamka)

I dedicate this thesis for:

My beloved Mom, Endriati

My beloved Dad, Utar Sutardi

ACKNOWLEDGEMENT

All praise and gratitude of due to Allah SWT who has bestowed all his grace so that i can finish the thesis with the title "The Role of Biodiversity Disclosure in Sustainability Report on Firm Value" in order to comply some requirements to obtain the Bachelor Degree on Faculty of Economics and Business of Diponegoro University. I realize the weaknesses and limitations that exist so that in completing this thesis get help from various parties, in this opportunity I would like to express my gratitude to:

1. Allah SWT who always hears every prayer, gives solution, and answered my prayer.
2. My beloved parents Utar Sutardi and Endriati who always pray, give support, autation, and love to me so that I can finish this study and thesis well.
3. Dr. Suharnomo, SE., M.Si., as the Dean of Faculty of Economics and Business, Diponegoro University, and all of and all of lecturers and staffs for the knowledge, encouragement and support.
4. Mr. Fuad, SET., M.Si., Ph. D as the Head of the Accounting Department, Faculty of Economics and Business, Diponegoro University.
5. Mr. Puji Harto, S.E., M.Si., Akt., Ph.D as my supervisor which always support, guide me patiently and giving suggestions for this thesis. Mr. Puji is the most great supervisor for author.

6. Drs.Agustinus Santoso Adiwibowo M.Si., Akt., as my academic advisor who has some given useful advice during my study at the Faculty of Economics and Business of Diponegoro University
7. Kuscahyo Budi Prayogo, as my Academic English teacher. Thank you for all the lessons and help so that I finally succeed to write my thesis in English.
8. Hesty Endriani and Popy Leo Farlina, my beloved sister who always gives suggestion and spirit for me in every condition.
9. My patner Okta Yuri Angrahadi my partner who has supported everything I do and encouraged me when I was getting down
10. Both of my cuteness nephews Nada Azian Putri and Rafif Afkhari Nurrizky who always make me spirit when i'm getting tired in this thesis
11. My Beloved grandfathers and grandmothers who always pray for me, also my cousins, uncle, and aunties.
12. Ladies Home (Meza, Ayu, Renda, Talitha, Azah, Amieq, Deby, Santi) who live at same home with me. Thank you for give happines.
13. My sister Meza Nur Aisyah who i met first when i came to Semarang. She introduce me many things, give advices and also motivate.
14. My friend Alhamdi Fil Huda and Rendayu Lindung Bulan who always care to me.
15. For Uchi, Hety, Cicil and Zahra as my closest friend during my study

16. Dila, Ghina, Izzy, Indah, Hafi, Mela, Tikah who being my friend since Senior High School. I hope that we will success together and get our dream.
17. Mr. Puji Squad Girl (Marsalia Intan, Nadya Christie, and Felisia Fitri Aritonang) who always support and help me when i need.
18. KKN Tim II Duren Squad: Faishal, Luthfi, Ilham, Hadi, Amik, Nisa, Dina, Elsi, Novi and Peni . Thank you for the kindness and memories
19. All people who have helped me in accomplishing my thesis and bachelor degree in Accounting, Economics and Business Faculty, Diponegoro University, which I could not mention them one by one.

Semarang, May17th, 2018



Shindy Sri Deswita

NIM. 12030114120028

ABSTRACT

Companies in achieving their goals are likely to have an impact on the environment. Company operational activities directly affect the decline in the amount of biodiversity and indirectly contribute to climate change. The decline in the amount of biodiversity is one of the causes of the current biodiversity crisis. Many companies are discharge their accountability to the environment through a sustainability report, but to date there has been little research focusing specifically on the disclosure of corporate biodiversity. In this study will be discussed about the analysis of the effect of biodiversity disclosure on company value.

Biodiversity disclosure is significantly part of sustainability practices consisting of economic, social, and environmental aspects. Biodiversity disclosure is part of corporate environmental responsibility. The disclosure of biodiversity refers to the GRI-G4 Standard Index that are EN11, EN12, EN13 and EN14 categories. Firm value is measured using Tobin's Q ratio. The research object in this study is the company that listed on the Indonesia Stock Exchange in the period 2014-2016. The total sample of 47 companies selected using purposive sampling. The analysis method of this study using multiple regression analysis.

The findings in this study indicate that the biodiversity disclosure in the sustainability report has no significant effect on firm value which is measured by Tobin's Q ratio.

Key Words: Firm value, biodiversity, sustainability report, GRI

ABSTRAK

Perusahaan dalam mencapai tujuannya cenderung menimbulkan dampak terhadap lingkungan. Kegiatan operasional perusahaan secara langsung berdampak terhadap penurunan jumlah keanekaragaman hayati serta secara tidak langsung berkontribusi terhadap perubahan iklim. Penurunan jumlah keanekaragaman hayati menjadi salah satu penyebab terjadinya krisis keanekaragaman hayati saat ini. Banyak perusahaan yang melepaskan akuntabilitasnya terhadap lingkungan melalui sebuah laporan keberlanjutan, namun hingga saat ini masih sedikit sekali penelitian yang berfokus secara khusus pada pengungkapan keanekaragaman hayati perusahaan. Dalam penelitian ini akan dibahas mengenai analisis pengaruh pengungkapan biodiversitas terhadap nilai perusahaan.

Keanekaragaman hayati menjadi bagian terpenting dalam praktik keberlanjutan yang terdiri atas aspek ekonomi, sosial, dan lingkungan. Pengungkapan keanekaragaman hayati merupakan bagian dari pertanggungjawaban lingkungan perusahaan. Pengungkapan keanekaragaman hayati merujuk pada Indeks Standar GRI-G4 yaitu kategori EN11, EN12, EN13 dan EN14. Nilai perusahaan diukur menggunakan rasio Tobin's Q. Objek penelitian dalam studi ini adalah perusahaan ini terdaftar di Bursa Efek Indonesia pada periode 2014-2016. Total sampel sebanyak 47 perusahaan yang dipilih menggunakan purposive sampling. Metode analisis penelitian ini menggunakan analisis regresi berganda.

Temuan-temuan dalam penelitian ini menunjukkan bahwa pengungkapan keanekaragaman hayati dalam laporan keberlanjutan tidak berpengaruh secara signifikan terhadap nilai perusahaan yang diukur dengan rasio Tobin's Q.

Kata kunci: Nilai perusahaan, biodiversitas, laporan keberlanjutan, GRI

Table of Contents

| | |
|---|-----|
| TITTLE PAGE..... | i |
| THESIS APPROVAL | ii |
| SUBMISSION | iii |
| DECLARATION OF ORIGINALITY | iv |
| MOTTO AND DEDICATION | v |
| ACKNOWLEDGEMENT | vi |
| ABSTRACT..... | ix |
| TABLE OF CONTENTS..... | xi |
| LIST OF TABLES | xiv |
| LIST OF FIGURES | xv |
| LIST OF APPENDIX | xvi |
| CHAPTER I INTRODUCTION | 1 |
| 1.1 Background of The Study | 1 |
| 1.2 Research Problem..... | 8 |
| 1.3 Research Purpose and Benefits | 9 |
| 1.4. Outline of the Research..... | 10 |
| CHAPTER II LITERATURE REVIEW | 12 |
| 2.1 Theoretical Basis..... | 12 |
| 2.1.1Stakeholder Theory..... | 12 |
| 2.1.2 Legitimacy Theory | 13 |
| 2.1.3 Firm Value | 14 |
| 2.1.4 Sustainability Report | 15 |
| 2.1.5 Biodiversity | 18 |

| | |
|--|----|
| 2.2 Previous Research | 24 |
| 2.3 Research Framework..... | 27 |
| 2.4 Hypothesis Development | 29 |
| CHAPTER III RESEARCH METHOD | 31 |
| 3.1 Research Variables and Operational Definition of Variables | 31 |
| 3.1.1 Dependent Variables..... | 31 |
| 3.1.2 Independent Variables | 32 |
| 3.1.3 Control Variables..... | 33 |
| 3.2 Population and Sample..... | 35 |
| 3.3 Types and Data Sources | 35 |
| 3.4 Data Collection Method | 36 |
| 3.5 Analysis Method | 36 |
| 3.5.1 Method of Analysis | 36 |
| 3.5.2 Descriptive Statistics | 37 |
| 3.5.3 Classic Assumption Test | 37 |
| 3.5.4 Hypothesis Testing | 39 |
| CHAPTER IV RESULT AND DISCUSSION | 42 |
| 4.1 The Description of Research Object | 42 |
| 4.2 The Analysis of Data..... | 43 |
| 4.2.1 Descriptive Statistic | 43 |
| 4.2.2 Multiple Regression Analysis..... | 44 |
| 4.2.3 Classical Assumption Test..... | 45 |
| 4.2.4 The Result Hypothesis testing of Regression Model..... | 51 |
| 4.3 Interpretation of Research Results | 54 |
| CHAPTER V CONCLUSION AND SUGGESTION | 57 |

| | |
|------------------------|----|
| 5.1 Conclusion | 57 |
| 5.2 Limitation..... | 58 |
| 5.3 Suggeststions..... | 58 |
| REFERENCES..... | 60 |

LIST OF TABLES

| | |
|---|----|
| Table 2.1 Categories and aspect in the GRI-G4 guidelines | 17 |
| Table 2.2 Category of Biodiversity Benefits Value | 21 |
| Table 2.3 Previous Research | 24 |
| Table 4.1 Details of Biodiversity Disclosure Sample | 42 |
| Table 4.2 Descriptive Statistic | 43 |
| Table 4.3 Multicollinearity Test Result with Tolerance and VIF | 46 |
| Table 4.4 Multicollinearity Test Result with Coefficient Correlation | 46 |
| Table 4.5 Nonparametric of Run and Normality Test | 47 |
| Table 4.6 Simultaneous significance and Coefficient of determination Test | 51 |
| Table 4.7 T Statistical Test Result of Firm Value..... | 53 |

LIST OF FIGURES

| | |
|---|----|
| Figure 2.1 The Research Framework of Regression Model | 28 |
| Figure 4.1 Heteroscedasticity Test Result The | 48 |
| Figure 4.2 Graph of Histogram | 49 |
| Figure 4.3 P-Plot Normality Graph..... | 50 |

LIST OF APPENDIX

| | |
|--|----|
| Appendix A.List of GRI-G4..... | 62 |
| Appendix B.List of Research Sample..... | 65 |
| Appendix C.List of Firm-Year Observations..... | 66 |
| Appendix D. List of Outlier..... | 69 |
| Appendix E.SPSS Output | 70 |

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Companies must grow and develop in order to survive in business competition. Therefore, the company must be able to achieve a profit because it is usually used as measurement the company success or not. The greater the profits obtained by the company then the more successful of that company, so that; investors are interested to invest. Hence, the company will get additional capital for expand their business.

Company's business activity in make a profit, at the same time, might cause bad impact to environment. An example of the case was done by a mine firm (PT Indominco Mandiri) in East Kalimantan (Greeners.co, 2016). In order to increase its mining production, the company is trying to divert the river flow; so that, the company could do mining in Santan River, Kare River, and Pelakan River. It effect on the decrease of the river quality which is indicated by the death of fish as the source of economic activities of the local communities. This is an example of many cases which happened in Indonesia.

The impact of environmental damage affected the existence of species and their ecosystems in the environment directly or indirectly. The directly effect such as death of species because the firm activity. Furthermore, habitat destroy because business activity such as new land clearing indirectly affected to biodiversity.

Both of directly or indirectly, at long time will decrease the number of biodiversity.

Biodiversity is defined as the existences of species diversity including animals, plants, and microorganisms and their habitat (Darajati et al., 2016). Biodiversity is not only about its diversity of spesies, but it also the relation between of species and habitat, and all of its function to keep ecosystem.

The decreasing of the number of spesies in a continuously will lead to a biodiversity crisis. This biodiversity crisis has actually been taking place for a long time and officially has globally discussed at the UN International Convention in October 2010. The current global crisis is thought to have entered the sixth period of its extinction (Grabsch, Jones, and Solomon, 2011). This indicated that the biodiversity crisis had become a crucial and urgent issue in global.

The research by WWF (2013) concluded that biodiversity extinction happened quickly. The rapid extinction of species was estimated by experts between 1,000 and 10,000 times higher than the natural extinction rate: if the estimate is true, then there are 100 million living species on Planet Earth and 10,000 to 100,000 of them vanish annually.

Some cases happened in Indonesia, for example, were the death of thousands of species of fish in Glenmore River due to the waste released by PT Industri Gula Glenmore in Java. According to Pratiwi and Sumaryati (2014), other damage was a case of mud volcanoes caused by oil and gas companies. Another case was the pollution of metal waste in Buyat Bay, causing people living around the bay to dying because of metal poisoning According to Pratiwi and Sumaryati (2014).

New land clearing through forest fires by several companies contribute a lot in the decline of biodiversity also. Burning forest will destroyed all the habitat of species whereby it causes the extinction of existing species. 1.6 billion people dependent on the existence of these species will be threatened for their survival. Therefore, in the sustainability report described one of the objectives of life on land goal explains that the forest is the most important thing to be maintained because about 80% of the species on this planet live in the forest (GRI, 2014).

The irresponsible use of biodiversity will undermine its existence and undermine its benefits for human life. Biodiversity is a source of food, medicine, energy, water and clean air provision services, protection from natural disasters and climate regulation (Darajati et al., 2016). The dependence of human life on this biodiversity should give awareness of the importance of protection and preservation of biodiversity.

Companies considered to be contributing to the declining number of biodiversity and ecosystem destruction have partly realized the importance of conserving biodiversity. Griffiths (2010) suggested that potential ecosystem damage and declining biodiversity amounts into material considerations in making investment decisions. Companies and investors believe that biodiversity is central to the success of a business in obtaining carbon and limited natural resources.

The proof of realization that the company has sought to preserve biodiversity should be disclosed in a reporting of the sustainability report. Until now, biodiversity disclosure is part of sustainability reporting.

Sustainability report is one form of reporting that shows the attitude of transparency and corporate accountability in carrying out social and environmental responsibilities based on Global Reporting Initiative (GRI) standards. Sustainability reports support goal setting, performance measurement, and sustainable enterprise operational management (GRI, 2014).

The sustainability reports were categorized into economic, social, and environmental. The economic category described the flow of capital among different stakeholders and the major economic impacts of the organization at all levels of society. The social category discussed the impact that the organization has on the social system on which the organization operates which is divided into four sub-categories: employment and workplace comfort, human rights, community, and responsibility for the product. Furthermore, environmental categories included impacts related to inputs (such as energy and water) and output (such as emissions, effluents, and wastes). It included biodiversity, transportation, and impacts related to products and services, as well as environmental compliance and costs.

The regulation of sustainability report in Indonesia set forth in UU No.40 Year 2007 about Limited Liability Company which was enacted in July 2007. This law mandates all limited liability companies whose business activities are related to natural resources to carry out environmental social responsibility activities, information on the performance of environmental social responsibility activities in the annual report of the Board of Directors to the General Meeting of Shareholders (GMS). To ensure that any reporting is structured and made

correctly, it takes the role of the accountant. Accountants play a role in the process of preparing sustainability reports according to GRI standards, analysts, and play a role in checking and ensuring compliance between sustainability report reports with existing guidelines.

The trend of sustainability report disclosure of firm effected on the number of research on sustainability report. Soelistyoningrum and Prastiwi (2011) conducted a study to examine the effect of sustainability report disclosure on the company's financial performance including profitability, liquidity, and dividend payout ratio. The results showed that the disclosure sustainability report significantly influences the financial performance of the company with a positive direction.

Research on the impact of sustainability reporting on the company's financial performance and corporate risk by Pratiwi and Sumaryati (2014) also showed that there is a positive influence between sustainability reporting and financial performance of the company; although, sustainability reporting has no significant effect on corporate risk.

The result of Muallifin and Priyadi (2016) showed that the disclosure of sustainability report does not significantly affect company performance measured using return on assets (ROA) and debt to equity ratio (DER). The next, the disclosure of sustainability reporting has a significant effect on company performance measured by current ratio (CR) with the negative direction. The disclosure of sustainability reporting has no significant effect on market performance measured by using Tobin's Q. Incomplete disclosure of sustainability

reports made it difficult for stakeholders to obtain sufficient information about the company's sustainability. Stacia dan Juniarti (2015) in same topic that corporate social responsibility is not have any effect on firm value.

The preparation and reporting of the sustainability report benefit to the company because the company has demonstrated its commitment to the environment to stakeholders. The sustainability report increases public confidence of the company, so that it can increase the value of the company (Astuti and Junewah, 2017). The value of the company can be judged from the number of investor interested in the company's shares. Investors will choose companies that are not only profit-oriented but also companies that have social and environmental responsibility for sustainable development.

Environmental issues that occur became making resercher to be focuses on the environment aspect of sustainability report. Yanti (2015) presented that environmental disclosure is not significantly effect to firm value. CSR disclosure to companies listed on the BEI is low and only a few companies have ever followed the standards issued by GRI. Thus, the quality of CSR disclosure within the company that is the factor causing CSR practices can not achieve company value. Astuti and Junewah (2017)proved that environmental performance has no significant effect on company's value because the environmental performance disclosure does not provide interesting information for investor.According to Siregar et. al., (2017) stated that environmental disclosure is not affected to firm value which is measured by market value. The reason is the environmental aspect

has not become a concern for investors in making a decision on the capital market.

Setiadi et.al (2017) have an opposite result related environmental disclosure on firm Value. The environmental disclosure have significant influenced on firm value. An environmental disclosure give more information to stakeholder, so it will create trust-based between stakeholder and company, which turn in has effect on increasing firm value.

Inconsistency in the results of the previous studies needed to be further explored; thus, this research was carried out. The underlying thought was that some previous studies only addressed sustainability reports in general; meanwhile, according to GRI, sustainability report consists of many aspects one of which is biodiversity. In addition, research on biodiversity has received lack attention from researchers, especially in Indonesia. Several studies have just discussed aspects related to greenhouse and carbon reporting.

Less of biodiversity attention especially for companies was caused by biodiversity measurement did not provide direct benefits like carbon emissions. However, as biodiversity was an intangible asset having potential benefits, a company had to be preserved and disclosed in its reporting.

The disclosure of the biodiversity information by a company could increase the value of the company for several reasons. First, the disclosure of biodiversity indicated that the company concerned about the environment, especially biodiversity. Melynk et al., in Astuti and Junewah (2017) stated that many researchers believe that management strategies in managing the environment have

a positive impact on the operational performance. Furthermore, biodiversity disclosure adds value to the company because biodiversity is considered a new carbon that has potency for future sustainability of the company. Although not exactly assessed as carbon emissions, biodiversity is a potential asset for sustainable development.

Some of the previous explanations provided reasons that biodiversity needed to be discussed in more detail. However, some previous studies have not discussed yet specifically about biodiversity and its relation to firm values. This background provided reasons to conduct research focusing on **The Role of Biodiversity Disclosure in Sustainability Report on Firm Value in 2014-2016.**

1.2 Research Problem

The companies' concerned for the environment through a disclosure in a sustainability report had not been able to provide a solution to the global issue of the biodiversity crisis. While biodiversity existence is needed for human survival, the company should not attention only to the environment in general but biodiversity also. Company is considered being contributors to the declining number of biodiversity and destruction of ecosystems such as mining companies, construction materials, construction, food, medicine, forestry and paper, holidays and hotels, oil and gas and utilities (F&C, 2004).

Disclosure of biodiversity in sustainability report can increased the value of the company because it gives a good image to the company both from society and stakeholder so that company can sustain. Society would feel sympathy for the company. In addition, stakeholders will also assess that the company has been

able to maintain its commitment to preserving the environment. The company is able to harmonize its goals to obtain maximum profit and not damage the environment. Through the disclosure of the environment, the costs associated with corporate consequences for the environment in the future can also be minimized and even companies may rely on biodiversity for longer periods of time. Thus, the disclosure of biodiversity is considered to increase the value of the company.

Based on the background of the problem, then the formulated in this research is **what is the effect of biodiversity disclosure in sustainability report on firm value?**

1.3 Research Purpose and Benefits

The purpose of this study is to test the effect of biodiversity disclosure in sustainability report on firm value in 2014-2016 period.

The research results are expected to provide benefits as follows:

1. For the practitioner
 - a. The results of the research are expected to increase awareness of biodiversity importance by reporting and disclose about biodiversity.
 - b. The result can be used by investors and other related parties in making decisions related to investment in a company.

2. For the government

As inputs to government policies related to the environment especially biodiversity aspect as well as rewarding to companies that have specifically preserved biodiversity.

3. For academics

a. As a research reference on the relevance of biodiversity information presentation in sustainability report and its influence on company value.

b. As an reference for further studies.

1.4. Outline of the Research

CHAPTER I INTRODUCTION

This chapter explain about why the researcher choose impression management as the topic of research, research problem, research objectives and contribution as well as systematic of research that be contained in this research.

CHAPTER II LITERATURE REVIEW

This chapter reviews the relevance theories used in variables and explanation of the concept of the research. Furthermore, this chapter describe some prior researches, the theoretical framework, and hypotheses development.

CHAPTER III RESEARCH METHODS

This chapter describes the operational definition of variables, population and sample, type and source data, data collecting

method and analysis methods in using quantitative approach with regression analysis software of SPSS 21.

CHAPTER IV RESULT AND DISCUSSION

This chapter discusses the description about of the object used in research, data analysis, and interpretation of statistical results from research hypothesis testing.

CHAPTER V CONCLUSION

This chapter consists of the final conclusions and limitations of the research conducted, and also the suggestion that might be considered for similar studies in the future.